



House of Representatives

General Assembly

File No. 176

January Session, 2001

Substitute House Bill No. 6920

House of Representatives, April 9, 2001

The Committee on Energy and Technology reported through REP. GIANNAROS of the 21st Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING MINOR REVISIONS TO UTILITY AND ENERGY POLICY LAWS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 16a-1 of the general statutes is repealed and the
2 following is substituted in lieu thereof:

3 It is found and declared that [a shortage of energy supplies and
4 resources exists in] the state and the United States [and that a critical
5 shortage may be imminent, that the existence of such shortage] are
6 subject to an ongoing vulnerability to price and supply disruption for
7 energy supplies and resources due to dependence on conventional
8 energy resources, particularly those imported from overseas, and that
9 such vulnerability is inimical to the public health, safety and welfare of
10 the people of the state, that there is a necessity to implement [the] any
11 federal mandatory allocation order and other federal directives and
12 federal statutes, establish contingency rationing plans for fuel oil,

13 gasoline and other energy supplies and restrict the use of energy and
14 that the necessity of enacting the provisions of this chapter to provide
15 for equitable distribution and conservation of energy is declared as a
16 matter of legislative determination.

17 Sec. 2. Section 16a-35k of the general statutes is repealed and the
18 following is substituted in lieu thereof:

19 (a) The General Assembly finds [that] (1) the state of Connecticut is
20 severely disadvantaged by its lack of indigenous, primary [,] and
21 conventional energy resources; [that] (2) primarily as a result of past
22 policies and historical tendencies, the state has become dependent
23 upon petroleum as an energy source; [that] (3) national energy policies
24 do not preclude the recurrence of serious problems arising from this
25 dependence during petroleum shortages; [that] (4) the increase in oil
26 prices [since] resulting from the 1973 oil embargo and the 1979 oil
27 shortage, as well as the state and regional energy costs generally, has
28 had a major impact on the state; [that] (5) the economy has suffered
29 directly because of [our] the state's dependence on [petroleum] high
30 cost sources of energy and constraints upon the [rate of conversion to]
31 use of alternatives; [that other] (6) the state's economy, and particularly
32 the state's transportation sector, remains vulnerable to disruption in
33 the event of future interruptions in the supply of conventional energy
34 resources, particularly those imported from overseas; (7) conventional
35 sources of energy are subject to constraints involving supply,
36 transportation, cost and environmental, health and safety
37 considerations; [and that the state must address these problems by] (8)
38 the development of advanced energy technologies can furnish a means
39 of diversifying the state's energy supplies, reducing energy costs and
40 promoting economic development and job creation with the export of
41 advanced energy products to national and international markets; (9)
42 advanced energy technologies, such as advanced, aero-derived gas
43 turbine systems and fuel cells, have made it feasible to produce
44 electricity efficiently and economically using generating units of small

45 and moderate capacity, allowing diverse and distributed generation
46 and contributing to competition in electricity production; (10)
47 competitive markets for natural gas and electricity production has
48 resulted in the commoditization of these resources, and that this
49 process is driven by market forces and technological opportunities and
50 is therefore likely to continue; (11) competition in the electricity
51 generation and natural gas industries presents an opportunity for the
52 state to secure access to lower cost energy supplies, as well as a
53 challenge in addressing the potential impact of such competition on
54 both suppliers and consumers of energy, and in ensuring that the
55 benefits of such competition accrue to all categories of energy users;
56 (12) the achievement of state energy policy objectives may be
57 complicated by the emergence of more competitive energy markets,
58 served by a greater number of electricity and natural gas suppliers,
59 including suppliers located outside the state's jurisdiction; (13) the
60 emergence of increased competition in energy markets does not
61 obviate the need to articulate and implement state energy policies, in
62 part due to the continuing limits on freely competitive energy markets
63 both within and outside the state, including, but not limited to, (A)
64 competition among states for economic development, in which access
65 to competitive energy markets will play an increasing role in the
66 energy cost comparisons made by firms seeking opportunities to
67 expand or relocate; (B) subsidies and incentives given to energy
68 producers and marketers, including those established at the federal
69 level and thus outside the state's jurisdiction, that influence the
70 operation of energy markets; and (C) policy initiatives undertaken by
71 government to modify the operation of energy markets by taking into
72 account relevant factors that otherwise would be "external" and not
73 included in market pricing; (14) the state must address these problems,
74 issues and opportunities by ensuring that its statutory, regulatory and
75 operational energy policies and planning reflect and address current
76 developments in the nation's rapidly evolving energy industries; and
77 (15) these policies, in conjunction with market forces, facilitate and are

78 consistent with the objectives of conserving energy, increasing the
79 efficiency of energy production and utilization and developing,
80 marketing and utilizing advanced energy technologies, particularly
81 those that employ energy sources that are both renewable [energy
82 sources] and sustainable. The General Assembly further finds that
83 energy use has a profound impact on the society, economy and
84 environment of the state, particularly in its impact on economic
85 development and job creation, on low and moderate-income
86 households, on small and emerging business and industries, and
87 interrelationship with population growth, high density urbanization,
88 industrial well-being, resource utilization, technological development
89 and social advancement, and that energy is therefore critically
90 important to the overall welfare and development of our society.

91 (b) [Therefore, the] The General Assembly declares that it is the
92 policy of the state of Connecticut to (1) conserve scarce nonrenewable
93 and nonsustainable energy resources by avoiding their unnecessary
94 and [wasteful] inefficient consumption; (2) consume energy resources
95 in the most efficient manner feasible; (3) develop and utilize
96 [renewable] energy resources that are renewable and sustainable, such
97 as solar and wind energy, to the maximum practicable extent; (4)
98 [diversify] consider the diversity of the state's energy supply mix,
99 where practicable, the costs and benefits of achieving such diversity,
100 and the potential costs of failing to achieve it, as factors that should be
101 considered in the development and operation of energy markets; [(5)
102 where practicable, replace] (5) monitor and evaluate the operation of
103 energy markets with regard to the use of energy resources vulnerable
104 to interruption due to circumstances beyond the state's control in
105 comparison with those less vulnerable, and consider whether energy
106 and other public policy aspects, including possible future economic
107 and social costs of such developments warrant government action; (6)
108 assist citizens and businesses in implementing measures to reduce
109 energy consumption and costs in those areas where the marketplace
110 does not operate efficiently, such as by seeking to promote energy

111 conservation in multi-family dwellings and in leased space generally;
112 (7) ensure that low-income households can meet essential energy
113 needs; (8) maintain planning and preparedness capabilities necessary
114 to deal effectively with future energy supply interruptions [and (9)
115 when available energy alternatives are equivalent, give preference for
116 capacity additions first to] that are of such severity as to disrupt the
117 normal operation and functioning of energy markets and threaten
118 public health and safety or disrupt the operation of the state's
119 businesses, industries and institutions; (9) seek to rely on the operation
120 of energy markets to efficiently allocate resources to those energy
121 sources, including conservation and load management, that are most
122 cost effective and give appropriate preference to such sources in
123 energy planning and regulation; and (10) in decision and policy
124 making, consider the energy policy considerations stated in this
125 section, as well as other state policy objectives, and in so doing seek to
126 achieve an appropriate balance that reconciles public policy objectives
127 with marketplace efficiencies. The state shall seek all [possible]
128 reasonable ways to implement this policy, giving preference to
129 marketplace mechanisms and reliance on competition, through public
130 education and cooperative efforts involving, where appropriate, the
131 federal government, regional organizations, municipal governments,
132 citizen, community and labor organizations, businesses,
133 manufacturers, trade associations and other public and private
134 organizations and concerned individuals, using all practical means and
135 measures, including financial and technical assistance, in a manner
136 calculated to promote the general welfare by creating and maintaining
137 conditions under which energy can be utilized effectively and
138 efficiently. The General Assembly further declares that it is the
139 continuing responsibility of the state to use all means consistent with
140 other essential considerations of state policy to improve and
141 coordinate the plans, functions, programs and resources of the state to
142 attain the objectives stated herein without harm to the environment,
143 risk to health or safety or other undesirable or unintended

144 consequences, to preserve wherever possible a society which supports
145 a diversity and variety of individual choice, to achieve a balance
146 between population and resource use which will permit the
147 maintenance of adequate living standards and a sharing of life's
148 amenities among all citizens, and to enhance the utilization of
149 renewable and sustainable resources so that the availability of
150 nonrenewable resources can be extended to future generations. The
151 General Assembly declares that the energy policy is essential to the
152 preservation and enhancement of the health, safety and general
153 welfare of the people of the state and that its implementation therefore
154 constitutes a significant and valid public purpose for all state actions.

155 Sec. 3. Section 16-19cc of the general statutes is repealed and the
156 following is substituted in lieu thereof:

157 [(a) Every electric public service company, as defined by section 16-
158 1, which owns a five per cent or larger share of] Every entity that
159 operates a nuclear generating facility shall file with the Department of
160 Public Utility Control and the Office of Consumer Counsel,
161 semiannually, on April first and October first, a report on the projected
162 availability, maintenance, refueling and shutdown schedules, for the
163 next twelve-month period, of all generating facilities over one hundred
164 megawatts of capacity of each electric public service company and any
165 generating facilities which are part of the New England Power Pool.

166 [(b) The Department of Public Utility Control shall hold a hearing at
167 the end of each calendar quarter in which fifty per cent or more of an
168 electric public service company's nuclear generating capacity has been
169 out of service for a significant period of time. If the department finds
170 that the electric public service company has not fulfilled its public
171 service responsibilities under this title and title 16a, then the
172 department, in its discretion, may prohibit the electric public service
173 company from recovering, directly or indirectly, all or any portion of
174 the costs associated with the purchase of electricity from other sources

175 through its rates or charges.

176 (c) The Department of Public Utility Control shall adopt regulations,
177 in accordance with the provisions of chapter 54, to administer the
178 provisions contained in this section.]

179 Sec. 4. Subsection (a) of section 16-19aa of the general statutes is
180 repealed and the following is substituted in lieu thereof:

181 (a) During each proceeding on a rate amendment under section 16-
182 19 proposed by an electric public service company, as defined in
183 section 16-1, having more than seventy-five thousand customers, the
184 Department of Public Utility Control shall (1) review the facilities
185 utilized by the company for the generation and transmission of
186 electricity, (2) determine the level of the company's reserve capacity,
187 (3) determine the company's net reserve capacity by making such
188 adjustments as the department determines appropriate to the level of
189 the company's reserve capacity determined under subdivision (2) of
190 this subsection based on: (A) The reduction of the company's reserve
191 capacity requirement resulting from conservation and load
192 management measures taken by the company and from any other
193 programs or measures undertaken by the company promoting the
194 state's energy policy since January 1, 1986, (B) the capacity of the
195 company's interest in hydroelectric and other renewable resource
196 facilities placed in service after June 1, 1986, (C) the capacity provided
197 to the company by qualifying facilities and resource recovery facilities,
198 (D) any increases of the company's capacity after June 1, 1986, resulting
199 from programs or measures undertaken by the company to implement
200 the state's energy and other policy, (E) the reduction in the company's
201 reserve capacity requirement attributable to electrical interconnections
202 between New England electric companies and other electric systems
203 outside New England approved by the department, and (F) such other
204 capacity adjustments, which may include adjustments previously
205 recognized by the department, as the department deems appropriate,

206 and (4) determine the level of reserve capacity which would provide a
207 net economic benefit to customers of the company, provided the
208 department shall also consider the New England Power Pool reliability
209 standard, the state energy policy as stated in section 16a-35k and any
210 other factors which the department deems appropriate and adjust such
211 level accordingly. [and (5) exclude from the company's rates, in a
212 manner which shall provide the optimal short-term and long-term
213 benefits to customers of the company, the costs associated with
214 generating facilities which provide net reserve capacity in excess of the
215 level, including any adjustments, determined by the department under
216 subdivision (4) of this section.]

217 Sec. 5. Sections 16-19dd and 16-19ll of the general statutes are
218 repealed.

219 Sec. 6. This act shall take effect from its passage.

Statement of Legislative Commissioners:

A new section 4 was added for consistency with the method for repealing a subdivision of a statute and the subsequent sections were renumbered accordingly.

ET JOINT FAVORABLE SUBST.

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Affected Agencies: Department of Public Utility Control, Office of Consumer Counsel

Municipal Impact: None

Explanation**State Impact:**

The bill updates the legislature's findings regarding energy supply and the state's energy policy which has no fiscal impact on the state or municipalities. Additionally, the bill modifies a reporting requirement for reports received by the Department of Public Utility Control and the Office of the Consumer Counsel, which has no fiscal impact on these agencies.

OLR Bill Analysis*sHB 6920****AN ACT CONCERNING MINOR REVISIONS TO UTILITY AND ENERGY POLICY LAWS.*****SUMMARY:**

This bill updates the legislature's findings with regard to energy supply and use and modifies the state's energy policy to reflect the development of competition in energy industries and promote the use of market forces, among other things.

The bill modifies a reporting requirement regarding generating facilities. Current law, requires electric companies that own 5% or more of nuclear power plants to report to the Department of Public Utility Control and the Office of Consumer Counsel semiannually on the projected availability of generating plants over 100 megawatts and any generating plants that are part of the New England Power Pool. The bill instead requires each entity that operates a nuclear plant to report this information.

It repeals several obsolete energy-related statutes.

EFFECTIVE DATE: Upon passage

LEGISLATIVE FINDINGS

The current legislative findings (adopted in 1974) states, among other things, that there is a shortage of energy supplies and that a critical shortage may be imminent.

The bill replaces these findings with the declaration that the state and country are subject to an on-going vulnerability to price and supply disruptions, particularly due to the dependence on imported conventional energy resources, and this vulnerability is the basis for taking steps to implement federal laws, conserve energy, and establish

contingency plans for rationing energy.

The bill adds the following legislative findings with respect to energy utilization and conservation:

1. the state's economy (particularly its transportation sector) remains vulnerable to disruptions of conventional supplies;
2. advanced technologies, such as gas turbines and fuel cells, make it possible to generate electricity in small and moderate sized units, allowing diverse and distributed forms of generation and contributing to competition in electric production;
3. these technologies can reduce energy costs and promote economic development and job creation;
4. technological and market forces have led to competitive markets for electricity and natural gas, and this process is likely to continue;
5. competition in the electric and gas industries gives the state an opportunity for cheaper energy supplies but also provides a challenge to suppliers and consumers; and
6. the emergence of competition and the growth in the number of suppliers do not eliminate the need for a state energy policy goals due to various constraints on energy markets.

The bill also modifies other elements of the findings. Currently, the findings state that Connecticut's economy has suffered because of its dependence on petroleum and constraints on the conversion to other energy sources. The bill expands this to refer to the state's dependence on high cost energy sources and the use of alternatives. Under current law, the state must address the problems associated with the present energy system by conserving energy, increasing energy efficiency, and developing renewable energy resources. The bill instead finds that the state must address the problems, issues, and opportunities of the current energy system by ensuring that (1) its policies address developments in rapidly evolving energy industries and (2) these policies, in conjunction with market forces, facilitate the achievement of the current objectives and promote the development and use of

advanced energy technologies. The bill makes other minor changes in the findings.

ENERGY POLICY

In addition to current provisions, the bill declares that it is state policy to:

1. seek to rely on markets to allocate resources to those sources, including conservation and load management, that are most cost-effective and
2. consider the energy policy statement and other policy objectives in state decision and policy-making and seek to achieve a balance that reconciles these objectives and market efficiencies.

The bill modifies other aspects of the policy statement. Currently, it is state policy to replace, where practicable, energy resources subject to interruptions with those that are less vulnerable ones. The bill instead promotes the (1) monitoring and evaluation of the operation of markets for vulnerable resources and (2) consideration of whether developments in these markets warrant government action in light of the state's policy objectives.

It is current state policy to give preference to conservation and load management when available energy alternatives are equivalent. The bill instead states that the policy is to rely on markets to allocate resources (including conservation and local management) that are most cost effective.

It is current state policy to diversify the state's energy supply mix. The bill instead promotes the consideration, in the development of energy markets, of achieving diversity and the costs of doing and not doing so. Under current law, it is state policy to maintain the capacity to deal effectively with energy supply interruptions. The bill limits this provision to disruptions severe enough to disrupt energy markets and threaten public health, safety, or the state's economy. Under current law, it is state policy to help residents and businesses take steps to reduce energy use and costs. The bill limits this provision to areas where the marketplace does not operate efficiently. It makes other

minor changes in the policy statement.

Under current law, the state must seek all possible ways to implement the policy. The bill instead requires the state to seek all reasonable ways of implementing the policy, with a preference for marketplace mechanism and the promotion of competition. It broadens the types of entities the state should cooperate with in implementing the policy.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute

Yea 13 Nay 0